

Message Text

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C O N F I D E N T I A L MOSCOW 4427

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E.O. 11652: GDS
TAGS: ETRD, UR, US
SUBJ: COMMENTS OF SOVIET DEPUTY MINISTER MANZHULO ON JOINT
COMMERCIAL COMMISSION AND FOREIGN TRADE

REF: (A) MOSCOW 4183, (B) STATE 66832

1. DURING LUNCHEON HOSTED BY SECRETARY MARCH 30, SOVIET
DEPUTY MINISTER OF FOREIGN TRADE MANZHULO DISCUSSED PROPOSED
MEETING OF JOINT US/USSR COMMERCIAL COMMISSION AND REFORM
OF SOVIET FOREIGN TRADE ORGANIZATION WITH E/C COUNSELOR.

2. COUNSELOR MENTIONED HAVING DELIVERED SECRETARY
BLUMENTHAL'S LETTER PREVIOUS DAY TO MFT PROTOCOL CHIEF
RAKHMANNIN FOR TRANSMITTAL TO MINISTER PATOLICHEV. MANZHULO,
WHO HAD TOLD ANOTHER US OFFICIAL EARLIER ON THE SAME
OCCASION THAT HE SAW LITTLE POINT IN A COMMISSION MEETING
WHEN THERE WAS NO CHANGE IN BASIC US TRADE POLICY TOWARD
THE USSR, RESPONDED: "SO IT'S OFFICIAL?" HE EXPRESSED
SOME ANNOYANCE AT SLOW PACE OF MFT PROTOCOL SECTION,
STATING THAT HE WAS UNAWARE OF THE LETTER'S DELIVERY
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24 HOURS EARLIER EVEN THOUGH HE WOULD BE HEADING THE
SOVIET SIDE IN THE JOINT WORKING GROUP. MANZHULO ASKED
THAT ANY SUPPLEMENTARY INFORMATION BE CONVEYED DIRECTLY
TO HIM OR TO HIS DEPUTY NIKOLAY ZINOV'YEV. WHEN COUNSELOR
IMPLIED THAT ZINOV'YEV HAD BEEN SOMETIMES HARD TO FIND,
MANZHULO RESPONDED THAT PERHAPS THIS WOULD NOW CHANGE AND
STRESSED THAT HE, HIMSELF, WOULD BE AVAILABLE PERSONALLY

FOR DISCUSSION OF TRADE MATTERS. HE MADE NO CRITICAL COMMENT ABOUT VALUE OF JOINT COMMISSION, BUT WHEN ASKED WHAT ISSUES HE THOUGHT WOULD BE RAISED, REPLIED ONLY THAT THERE WERE A NUMBER OF PROBLEMS BUT WE SHOULD DISCUSS WHAT SOLUTIONS WE WOULD LIKE TO SEE EMERGE.

3. UPON BEING INFORMED OF USG DECISIONS ON LEADERSHIP OF COMMERCIAL COMMISSION AND WORK GROUP (REF B), MANZHULO HAD NO COMMENT OTHER THAN THAT HE HAD SEEN A NUMBER OF TRANSITIONS ON THE US SIDE SINCE 1972.

4. COUNSELOR MENTIONED OUR DISAPPOINTMENT THAT, DESPITE HIGH ATTENDANCE AT RECENT "CLEAN WATER" SHOW IN US COMMERCIAL OFFICE, THERE HAD BEEN NO SALES OF EQUIPMENT EXHIBITED. MANZHULO RESPONDED THAT EXHIBITORS ALWAYS BEAR SUCH A RISK AND SHOULD TAKE INTO ACCOUNT THE FACT THAT DISPLAY OF THEIR WARES MIGHT LEAD TO FUTURE SALES. HOWEVER HE ADDED THAT TEN-TO-ONE RATIO OF US EXPORTS OVER IMPORTS IN BILATERAL TRADE BALANCE IN 1976 WAS AN ELEMENT WHICH DOES NOT HELP POTENTIAL US EXPORTS. COUNSELOR COMMENTED THAT ONE UN-FORTUNATE CONSEQUENCE COULD NEVERTHELESS BE SOME LOSS OF INTEREST IN SOVIET MARKET BY IMPORTANT US FIRMS.

5. ASKED IF HE COULD HELP CLARIFY CURRENT REORGANIZATION OF SOVIET FOREIGN TRADE, MANZHULO STATED WHAT HAS COME TO BE SOMETHING OF A COMMONPLACE: THE INDUSTRIAL MINISTRIES WILL BE MORE DIRECTLY INVOLVED IN THE PROCESS. ASKED HOW THIS WOULD CHANGE PRESENT SYSTEM WHERE THEY ALREADY HAVE SOME VOICE IN DECISIONS, MANZHULO SAID THAT COMMITTEES WILL

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BE ESTABLISHED INCLUDING INTER ALIA THE INTERESTED SPECIALIZED MINISTRIES. MOST DECISIONS - CERTAINLY THOSE INVOLVING PURCHASES OF OVER ONE MILLION DOLLARS - WILL STILL HAVE TO GO FROM THE COMMITTEES TO THE COUNCIL OF MINISTERS FOR FINAL DECISION; IF FAVORABLE, THE COUNCIL WILL INFORM THE MFT AND THE APPROPRIATE FOREIGN TRADE ORGANIZATION TO MAKE THE PURCHASE. MANZHULO NOTED IN PASSING THAT APPROVAL WILL CONTINUE TO BE EASIER FOR PROJECTS WHICH ARE IN THE FIVE-YEAR PLAN AND FOR MINISTRIES WHICH ARE THEMSELVES EARNERS OF HARD CURRENCY.

6. COMMENT: WHILE THEY CAN HARDLY BE MISLED ABOUT THE DIFFICULTIES IN ELIMINATING SOME AMERICAN-IMPOSED LIMITATIONS ON TRADE, WE BELIEVE THE SOVIETS REGARD THE INVITATION TO A JOINT COMMERCIAL COMMISSION MEETING IN MAY AS MEETING A SIGNIFICANT PRELIMINARY SOVIET TRADE OBJECTIVE. AS FORE-SHADOWED BY LAST FALL'S TRADE AND ECONOMIC COUNCIL SESSION IN MOSCOW, THEY WILL USE THIS FORUM TO AIR THEIR WELL KNOWN POSITIONS TO THE NEW US ADMINISTRATION. IN ADDITION

TO CREDIT AND MFN, THE SOVIETS WILL SURELY CITE THE
TEN-TO-ONE TRADE RATION IN 1976. WHILE WE WOULD NOT WANT
TO OVERESTIMATE THE IMPORTANCE OF THIS LAST FACTOR IN THEIR
CALCULATIONS, IT CAN WORK TO OUR DISADVANTAGE IN PROMOTING
US EXPORTS.
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